

AMENDED IN SENATE JUNE 23, 2016

AMENDED IN SENATE JUNE 6, 2016

AMENDED IN SENATE SEPTEMBER 4, 2015

AMENDED IN SENATE JUNE 18, 2015

CALIFORNIA LEGISLATURE—2015–16 REGULAR SESSION

ASSEMBLY BILL

No. 1463

Introduced by Assembly Member Gatto

February 27, 2015

~~An act to add Article 8 (commencing with Section 13558) to Chapter 7 of Division 7 of the Water Code, relating to recycled water. An act to add Article 20.2 (commencing with Section 69996) to Chapter 2 of Part 42 of Division 5 of Title 3 of the Education Code, and to add Section 17131.12 to the Revenue and Taxation Code, relating to student financial aid.~~

LEGISLATIVE COUNSEL'S DIGEST

AB 1463, as amended, Gatto. ~~Onsite treated water. Student financial aid: California Covenants Program: tuition certificates: gross income exclusion.~~

(1) Existing law establishes the California State University, under the administration of the Trustees of the California State University, and the University of California, under the administration of the Regents of the University of California, as 2 of the segments of public postsecondary education in this state.

This bill would establish the California Covenants Program, under the administration of the Treasurer. The program would be a prepaid college tuition program, under which an individual could purchase a

fixed percentage of the tuition and mandatory systemwide fees for an academic year of full-time enrollment as an undergraduate at a campus of the California State University, the University of California, or an independent institution of higher education, as specified, for a beneficiary who meets specified criteria.

The bill would establish the California Covenants Program Fund. The bill would require that the moneys received by the Treasurer from the individuals who purchase tuition certificates under the program, as well as the proceeds from the sale of certain bonds authorized by the bill, be deposited in the fund. The bill would authorize the Treasurer, upon appropriation in the annual Budget Act, to allocate moneys deposited in the fund to the California State University, the University of California, or an independent institution of higher education to pay the tuition and mandatory systemwide fees of beneficiaries of the program during that fiscal year. The bill would require the Director of Finance to determine, at the commencement of each fiscal year, whether there are sufficient funds to implement the program in that fiscal year, and to communicate this determination to the Treasurer in a timely manner each fiscal year. The bill would specify that the California State University is required, and the University of California and independent institutions of higher education are requested to, comply with the bill's provisions.

These provisions would become operative on January 1, 2018.

(2) The Personal Income Tax Law provides for various exclusions from gross income, including moneys received pursuant to specified grant programs.

This bill would, for taxable years beginning on or after January 1, 2018, also exclude from gross income amounts invested in, and disbursed from, the California Covenants Program, as provided.

~~Existing law requires the State Water Resources Control Board to establish uniform statewide recycling criteria for each varying type of use of recycled water where the use involves the protection of public health.~~

~~This bill would authorize onsite treated water from a graywater or rainwater source, as prescribed, to be used for nonpotable uses in residential, commercial, or industrial buildings. The bill would require the state board, in consultation with the State Department of Public Health, the Department of Housing and Community Development, the California Building Standards Commission, and stakeholders, to establish monitoring and reporting requirements for the nonpotable use~~

of onsite treated water from certain other sources prior to its use in the internal plumbing of multifamily residential, commercial, or industrial buildings. The bill would prohibit water from a toilet, sewer, or onsite wastewater treatment system or septic tank from being treated and used onsite in a single-family occupied building.

Vote: majority. Appropriation: no. Fiscal committee: yes.
State-mandated local program: no.

The people of the State of California do enact as follows:

1 SECTION 1. Article 20.2 (commencing with Section 69996) is
2 added to Chapter 2 of Part 42 of Division 5 of Title 3 of the
3 Education Code, to read:

4
5 Article 20.2. The California Covenants Program

6
7 69996. (a) The California Covenants Program is hereby
8 established under the administration of the Treasurer. The
9 California Covenants Program shall be a prepaid college tuition
10 program established to help families plan, save, and pay for the
11 undergraduate college education of family members at campuses
12 of the California State University, the University of California,
13 and independent institutions of higher education, as defined in
14 Section 66010.

15 (b) Under the program, the Treasurer shall issue tuition
16 certificates in accordance with all of the following requirements:

17 (1) (A) The tuition certificate shall be issued by the Treasurer
18 for the prepaid purchase of a fixed percentage of the tuition and
19 mandatory systemwide fees for an academic year of full-time
20 enrollment as an undergraduate at a campus of the California
21 State University, the University of California, or an independent
22 institution of higher education, as defined in Section 66010. The
23 tuition certificate shall specify the percentage of tuition and
24 mandatory fees that have been purchased thereby. The certificate
25 covers annual tuition and fee increases of 7.5 percent or less.

26 (B) The Treasurer is authorized to determine the cost of the
27 fixed percentage of tuition and mandatory systemwide fees for the
28 participating institutions at the commencement of this program in
29 2018. The Treasurer shall have the discretion to periodically adjust
30 the cost of the tuition certificates in light of changes in the cost of

1 *living, the economy of the state, and the levels of tuition and*
2 *mandatory systemwide fees charged by the participating segments.*

3 *(2) The purchaser of a tuition certificate shall specify its*
4 *intended beneficiary. The intended beneficiary may be any person*
5 *who has not yet commenced grade 11 or its equivalent. A tuition*
6 *certificate shall be valid for up to 30 years from the date that it is*
7 *purchased.*

8 *(3) At the time the tuition certificate is used, the beneficiary*
9 *shall either be a California resident or a student who is exempt*
10 *from nonresident tuition pursuant to Section 68130.5.*

11 *(4) An individual may purchase an initial tuition certificate, or*
12 *additional tuition certificates, for a beneficiary only between May*
13 *1 and June 30 of calendar years commencing in 2018. The*
14 *minimum amount of tuition certificates that an individual may*
15 *purchase in a calendar year shall be three hundred dollars (\$300).*

16 *(5) A tuition certificate shall be used only to cover the cost of*
17 *undergraduate tuition and mandatory systemwide fees at the*
18 *California State University, the University of California, or*
19 *independent institutions of higher education, as defined in Section*
20 *66010. A tuition certificate shall not be used to cover the cost of*
21 *textbooks, supplies, or living expenses, including, but not*
22 *necessarily limited to, food, housing, and transportation.*

23 *(6) If the intended beneficiary of a tuition certificate is unable*
24 *to, or chooses not to, attend the institution issuing the certificate,*
25 *the initial investment shall be returned to the individual who*
26 *purchased the certificate, with interest equal to that earned by the*
27 *Pooled Money Investment Fund, and shall not be subject to a tax*
28 *penalty pursuant to Section 17131.12 of the Revenue and Taxation*
29 *Code.*

30 *(c) The Treasurer, in collaboration with the Trustees of the*
31 *California State University and the Regents of the University of*
32 *California, may establish administrative guidelines and other*
33 *requirements for purposes of implementing this article.*

34 *69996.3. (a) The California Covenants Program Fund is*
35 *hereby established. The moneys received by the Treasurer from*
36 *the individuals who purchase tuition certificates under the*
37 *program, and from the sale of bonds as authorized under*
38 *subdivision (b), shall be deposited in the fund. Upon appropriation*
39 *by the Legislature in the annual Budget Act, the moneys in the*
40 *fund may be allocated by the Treasurer to the California State*

1 University, the University of California, and participating
2 independent institutions of higher education, as defined in Section
3 66010, to pay the tuition and mandatory systemwide fees of
4 beneficiaries of the program during that fiscal year.

5 (b) The Treasurer is authorized to issue bonds backed by the
6 tuition certificate revenues. The proceeds of any bonds sold
7 pursuant to this subdivision shall be deposited in the California
8 Covenants Program Fund established by subdivision (a).

9 (c) The Director of Finance shall determine, at the
10 commencement of each fiscal year, whether there are sufficient
11 funds to implement the program in that fiscal year. The Director
12 of Finance shall communicate this determination to the Treasurer
13 in a timely manner each fiscal year.

14 (d) The California State University shall, and the University of
15 California and independent institutions of higher education, as
16 defined in Section 66010, are requested to, comply with the
17 requirements of this article.

18 69996.5. This article shall become operative on January 1,
19 2018.

20 SEC. 2. Section 17131.12 is added to the Revenue and Taxation
21 Code, to read:

22 17131.12. For taxable years beginning on or after January 1,
23 2018, gross income does not include:

24 (a) Moneys invested by the taxpayer, including interest accrued
25 by that investment, in the California Covenants Program
26 established pursuant to Article 20.2 (commencing with Section
27 69996) of Chapter 2 of Part 42 of Division 5 of Title 3 of the
28 Education Code.

29 (b) (1) Disbursements to the taxpayer from the California
30 Covenants Program for use by a beneficiary at an educational
31 institution that participates in the program.

32 (2) Tax, additions to tax, and penalties shall not apply to an
33 amount disbursed to a taxpayer where the beneficiary does not
34 attend an educational institution that participates in the California
35 Covenants Program if the full amount, including interest, is
36 returned to the taxpayer.

37 ~~SECTION 1. Article 8 (commencing with Section 13558) is~~
38 ~~added to Chapter 7 of Division 7 of the Water Code, to read:~~

Article 8. ~~Onsite Treated Water~~

~~13558. For the purposes of this article, “onsite treated water” means water, including graywater, rainwater, and other water captured onsite, that has been sourced, used, and treated as needed onsite in a building.~~

~~13559. (a) (1) Onsite treated water from a graywater or rainwater source, as defined in and meeting the requirements of Chapters 16 and 17 of the California Plumbing Code, may be used for nonpotable uses in residential, commercial, or industrial buildings.~~

~~(2) A local government may prescribe additional monitoring and reporting requirements for the use of onsite treated water from a graywater or rainwater source by ordinance.~~

~~(b) The state board, in consultation with the State Department of Public Health, the Department of Housing and Community Development, the California Building Standards Commission, and stakeholders, shall establish monitoring and reporting requirements for the nonpotable use of onsite treated water sourced from a toilet, sewer, onsite wastewater treatment system or septic tank, stormwater capture, or industrial wastewater that otherwise meets the water quality standards defined in Section 60301.230 of Title 22 of the California Code of Regulations prior to its use in the internal plumbing of multifamily residential, commercial, or industrial buildings.~~

~~(c) Water from a toilet, sewer, or onsite wastewater treatment system or septic tank shall not be treated and used onsite in a single-family occupied building.~~